



HISTORY

OF THE

ISSUES OF PAPER-MONEY IN THE

AMERICAN COLONIES,

ANTERIOR TO THE REVOLUTION,

EXPLANATORY

OF THE

HISTORICAL CHART

OF THE PAPER MONEY

OF THAT PERIOD.

ST. LOUIS:  
UNION, PRINT, 35 LOCUST STREET,  
1851.





*Adolphus  
Hart*

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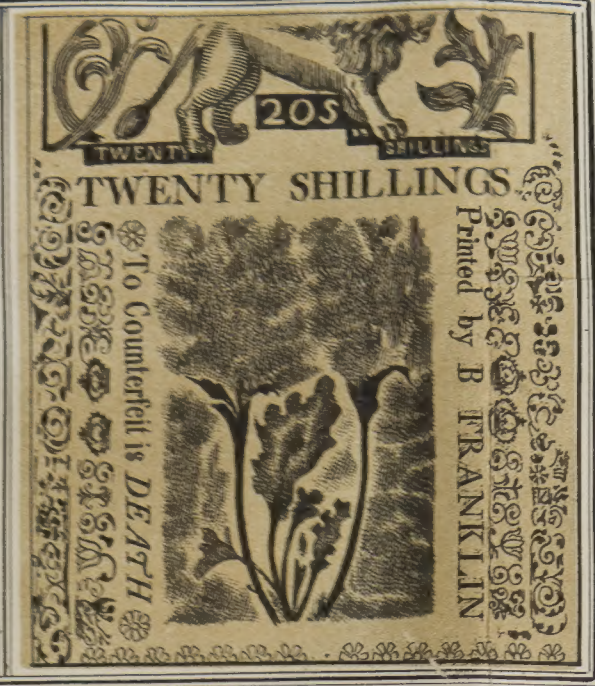
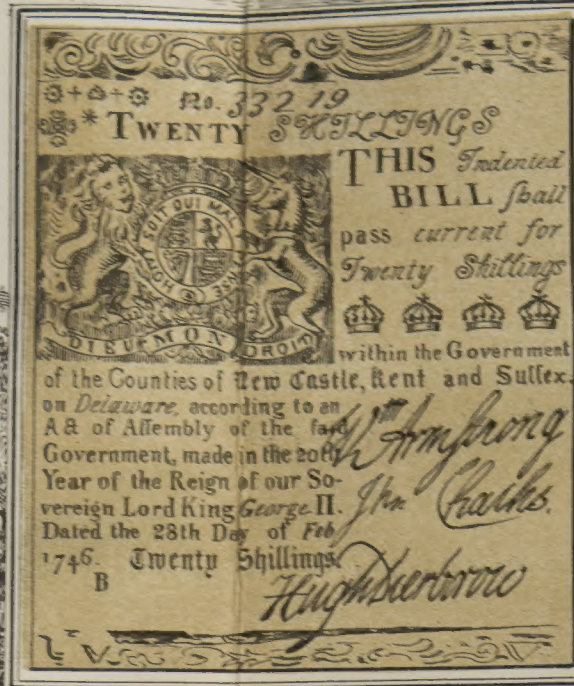
[Entered according to Act of Congress, in the year 1851, by A. M. HART,  
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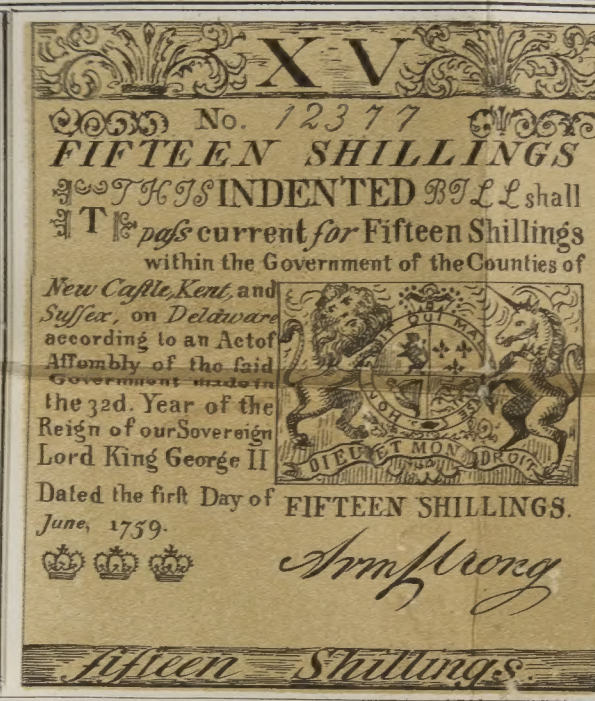
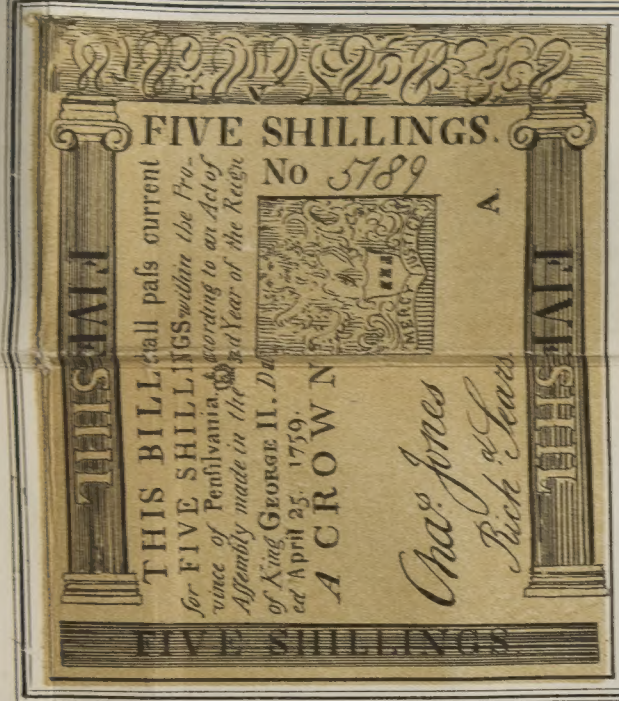
# HISTORICAL CHART

of the Paper-money issued in the United States, from the earliest Settlement of the Country to the commencement of the Revolutionary War.

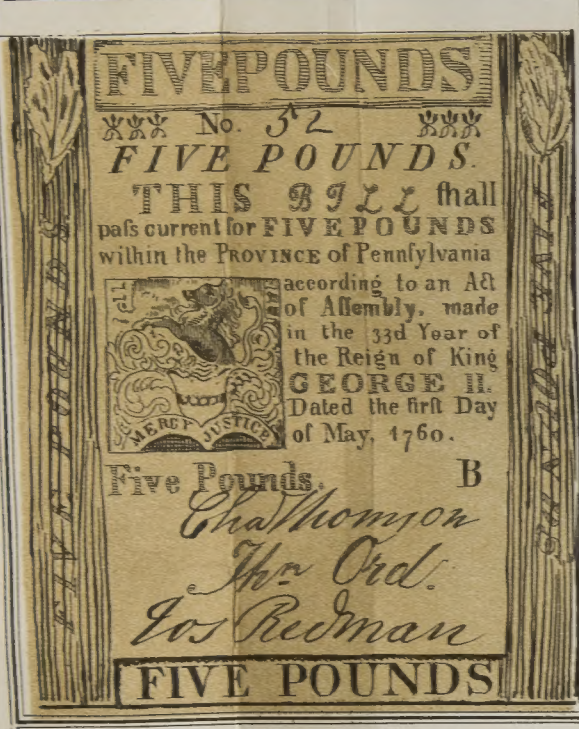


I soon after obtained through my friend Hamilton the printing of the New Castle Paper-money, another profitable job, as I then thought it, small things appearing great to those in small circumstances, and these to me were really great advantages, as they were great encouragements.

Franklin's Autobiography.



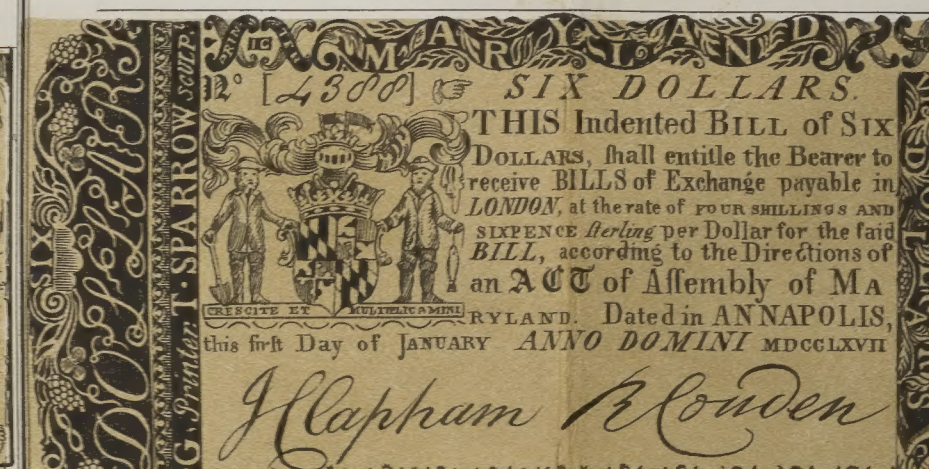
Paper-money, issued after Braddocks' defeat, to pay the expenses of the "Old French war," the first campaign in which Washington distinguished himself.



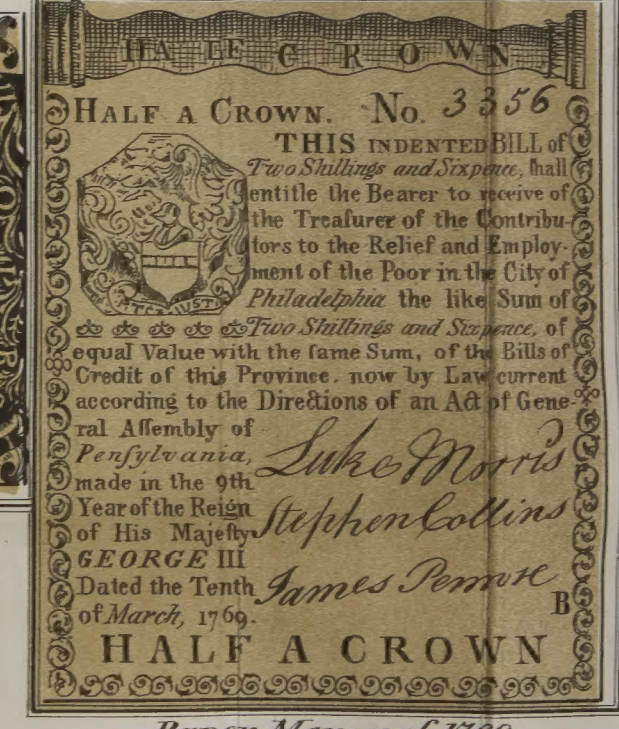
Autograph of Charles Thomson, Secretary of the first American Congress.



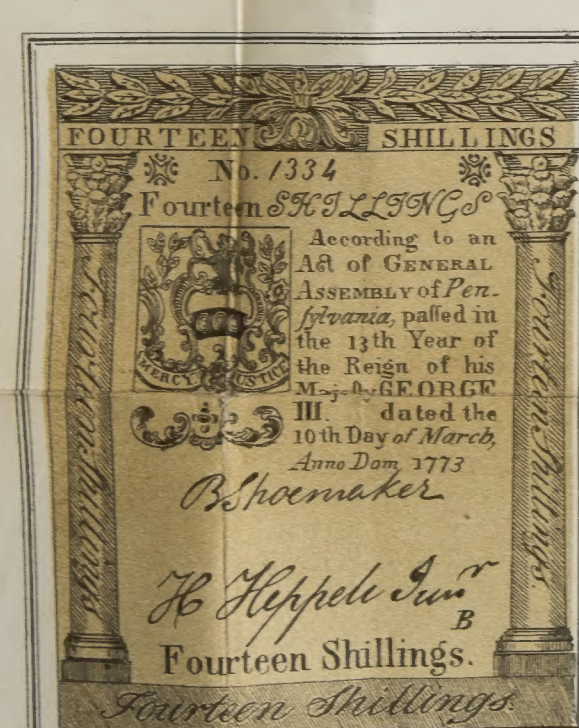
New Jersey money payable in Plate &c.



Maryland Money.



Paper Money of 1769.



Fourteen Shilling Bill of 1773.



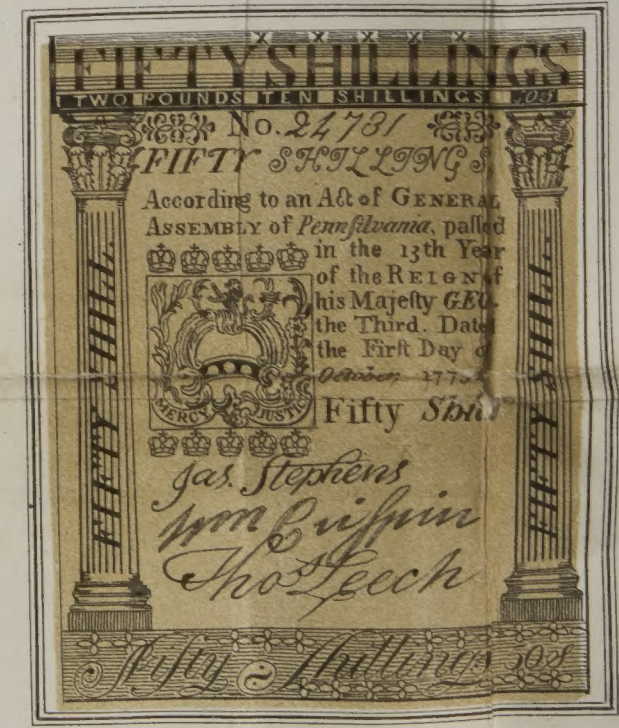
Maryland Money.



Bill issued after the Battle of Bunker's Hill, forming part of the FIRST issue of "Two millions" ordered at the first Session of Congress.



Bill, dated only eighteen days, after the Declaration of Independence.

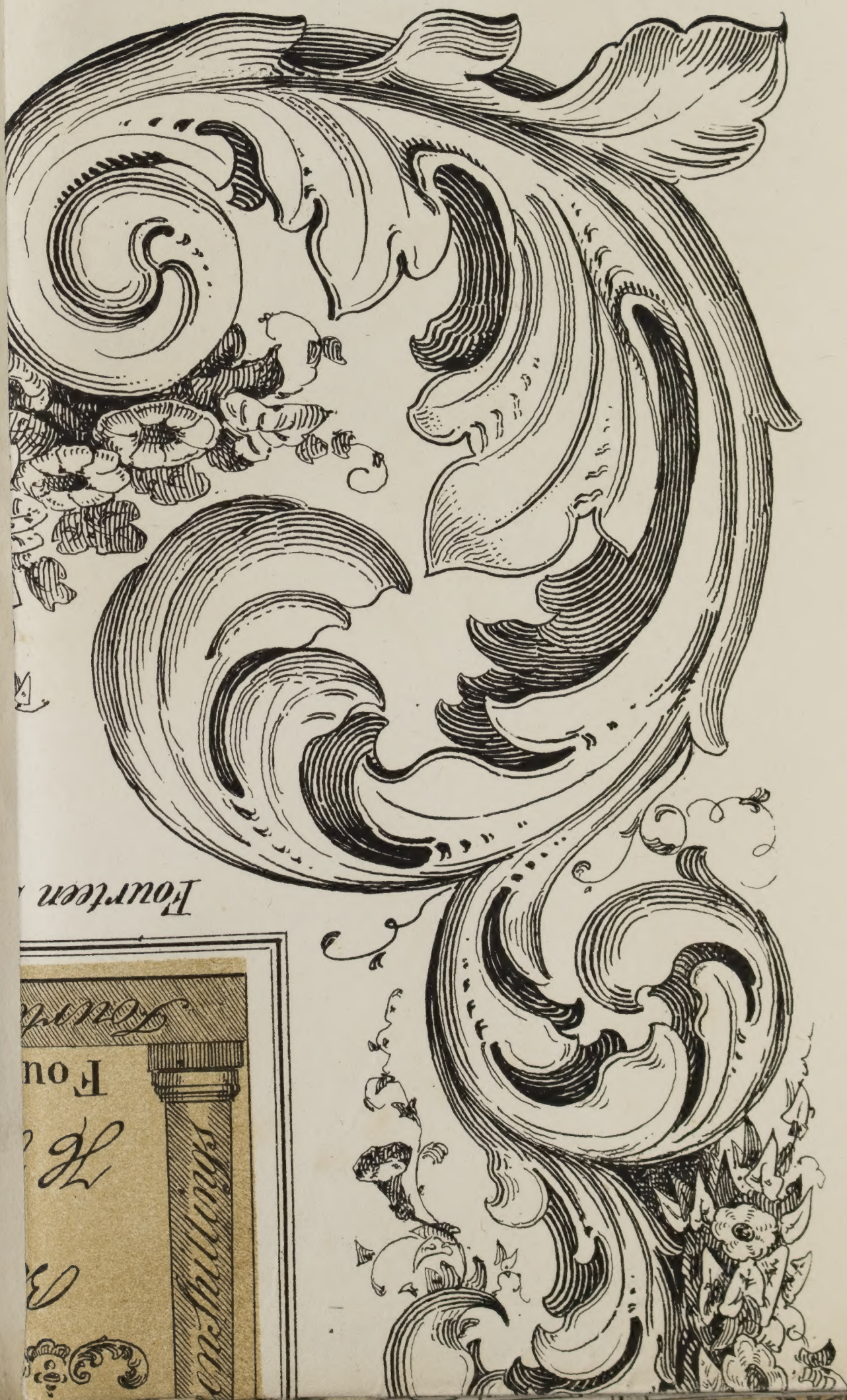


Fifty Shilling Bill of 1773.





ENGRAVED BY E. ROBYN.



Fourteen

Four

26

3



I HAVE read with great pleasure and profit a manuscript Pamphlet on the Paper Currency issued before the American Revolution. It gives the best and fullest information on the subject, to be found anywhere in the same compass. It has been read by several persons, and is universally regarded, as highly able and interesting.

DR. JOS. G. COGSWELL,

Trustee named to make the Collection for the Astor Library, New York.

THE article sent us, on the "History of the Issues of Paper Currency," is a valuable and able piece of writing, and we should, of course, be glad to hear from the author, on any of the subjects to which our paper is devoted.

MESSRS. MORRIS & WILLIS,

"Home Journal" of the 30th June, 1849.

YOUR Pamphlet on the Issues of the Paper Currency, before the Revolution, contains more information than I have seen in any work of the kind.—I would advise you to publish it; it would be a valuable contribution to the financial history of that period.

M. M. NOAH.



# HISTORY

OF THE

## ISSUES OF PAPER MONEY IN THE AMERICAN COLONIES ANTE- RIOR TO THE REVOLUTION, EXPLANATORY OF THE HISTORICAL CHART OF THE PAPER MONEY OF THAT PERIOD.

The Paper money, which was issued by the British Colonies in America, anterior to the Revolution, is now seldom if ever met with, and it is surprising that philosophical research has not been directed to this interesting point in American History. The origin, extent and object of the issuing of Bills of Credit in the old Colonies would afford fruitful subjects for the Antiquarian and Historian to dilate upon, relating as they do, to many of the most thrilling events in the early history of the Country. The following remarks are made with a view to explain the accompanying Historical Chart of the Bills of Credit, which were issued, under the old Colonial Governments, before the Declaration of Independence, and those, which were issued, after that period. There is no treatise extant especially devoted to this interesting branch of finance, and the subject has only been incidentally alluded to, in the various histories, relating to the events of those times. In a work published in Paris in 1788, in four volumes, now scarce, the third chapter of the fourth volume professes to treat of paper money. The work is entitled "*Recherches Historiques et Politiques sur les Etats Unis de l'Amerique Septentrionale*", anonymous, but it is attributed by cotemporaneous authors to the pen of M. Mazzei who resided in Virginia for many years and afterwards returned to France. The remarks of the writer are, however almost wholly confined to the paper currency, which was issued contemporaneously with the Revolution, and although its history has not ceased to be attended with interest, that of the former being more remote, will always be sought after with avidity.

In the year 1690, the Colonies of New England and New York undertook an expedition against Canada, which turned out unsuccessful. The troops having returned unexpectedly to



Boston, it became necessary to pay them, and the public finances being exhausted, owing to the expence of their outfit, the Government wished to impose a direct tax on the Colonists, but as this expedient to raise money required a considerable time, and as the soldiers clamoured for payment, and were nearly resorting to mutiny, it was resolved to issue paper money. This was the first occasion on which it was introduced into the old Colonies, now forming the United States of America. A law was passed, ordering the Treasurer of the Colony to receive it in payment of taxes, and allowed the owner five per cent per annum. It soon however, fell into discredit, as it circulated afterwards at only one third of its value. It has been remarked, that what contributed to its depreciation, was the circumstance, that some of the "leather money," invented by King James the Second of England and which was chiefly circulated in Ireland had found its way to America, and that this money having been valueless, led to the belief that, paper money would become equally depreciated. Whenever the period approached for the payment of taxes, the paper currency was sought after, as the interest of five per cent was added to the principal and received for public dues. This temporarily increased its circulation, and, notwithstanding the disfavor with which it was always received, it became the medium of exchange and tended to establish an uniform paper currency throughout most of the Colonies. It was adopted by almost all of them, and although it was at times more or less depreciated, the Colonies became at length convinced of the evils attendant on its fluctuating value.

It would be interesting to trace the progress of paper money from the year 1690, when it was first introduced to the year 1749, when the Colony of Massachusetts abolished it. Its disuse arose out of the following circumstances. History commemorates the noble and chivalrous conduct of the New Englanders, under Colonel Pepperel, against Louisburg, in 1745; their bravery and heroism rescued for their native country, that grand bulwark of French power in America, and although after all their trials and hardships, they lived to see the day, when by the fruits of ill advised diplomacy, that proud triumph of American valor was abandoned to France, by the treaty of Aix la Chapelle, in 1748, England could not withhold from her brave sons in America, payment of the costs of the outfit and expense attending that memorable expedition, Massachusetts received an immense sum of money, from England and availed itself of the occasion, to redeem the paper currency, which was found to weigh as an *incubus* on the Colony. It was redeemed at one eleventh of its original value, a



loss, which fell wholly on the people, and which gave rise to feelings of the greatest dissatisfaction throughout the colony. The measure was ably discussed in the Legislative Assembly and King's Council, and was resorted to only, as a means of redeeming in part the public faith and averting a great public evil. The other Colonies followed at different periods the example of Massachusetts, and hastened to free themselves from the evils of a depreciated and irredeemable paper currency.

Of its origin and progress in the Colony of Pennsylvania, the following remarks from Dr. Franklin's autobiography give an ample account. "About this time 1729, there was a cry, among the people for more paper money, only fifteen thousand pounds being extant in the Province, and that soon to be sunk. The wealthy inhabitants opposed any addition, being against all paper currency, from the apprehension, that it would depreciate, as it had done in New England, to the injury of all creditors. We had discussed this point in our junto, when I was on the side of an addition, being persuaded that the first small sum, struck in 1723, had done much good, by increasing the trade, employment and number of inhabitants in the Province, since I now saw all the old houses inhabited and many new one's building; whereas I remembered well, when I first walked about the streets of Philadelphia, eating my roll, I saw many of the houses in Walnut street, between Second and Front streets, with bills on their doors "To be let," and many likewise in Chestnut street, and other streets, which made me think, the inhabitants of the city were, one after another, deserting it."

"Our debates possessed me so fully of the subject, that I wrote and printed an anonymous pamphlet on it, entitled *The nature and necessity of a Paper Currency*. It was well received by the common people in general; but the rich men disliked it, for it increased and strengthened the clamor for more money, and they, happening to have no writers among them that were able to answer it, their opposition slackened, and the point was carried by a majority in the House. My friends there, who considered I had been of some service, thought fit to reward me by employing me in printing the money, a very profitable job and a great help to me. This was another advantage gained by my being able to write. The utility of this Currency became by time and experience so evident, that the principles, upon which it was founded, were never afterwards much disputed; so that it grew soon to fifty five thousand pounds, and in 1739, to Eighty thousand pounds, trade, building and inhabitants all the while increasing, though I now think, there are limits, beyond which the quantity may be hurtful."



"I soon after obtained, through my friend HAMILTON, "the printing of the New Castle Paper money, another profitable job, as I then thought it, small things appearing great to those in small circumstances, and these to me, were really great advantages, as they were great encouragements. MR. HAMILTON procured for me also, the printing of the Laws, and votes of that Government, which continued in my hands, as long as I followed the business."

Of the paper money of that period, I have not been able to discover any Bill in existence of a date anterior to the year 1746. It is probable, that the greater part, if not the whole which was issued, in the British Colonies before that period, has been destroyed. It will be seen from the foregoing extract, that but a small amount was issued, and it having been redeemed in each Colony, it is almost certain, that very few, if any specimens of the paper money of that period, are now extant.

The oldest note, (*a fac simile* of which is given on this Chart) is one, which was printed by the immortal FRANKLIN, in the year 1746, being the twentieth year of the reign of King George the Second. The specimen is unique of its kind, and although the names of the signers to it (ARMSTRONG,——CHARLES and HUGH DEARBOROW,) are partly obliterated from age, the printing is perfectly legible and specifies clearly the amount, date and object of the Bill. It purports to be current, within the Government of the Counties of New Castle, Kent and Sussex, on the Delaware and bears the Royal Arms of England and Wales, engraved on copper plate, from the curious press, invented by FRANKLIN, with words in print. On the reverse are figures, now nearly obliterated from time, with the words in print "Twenty shillings" Printed by B. FRANKLIN "To counterfeit is death."

Need I say, how highly this is prized; not only as a specimen of ancient typography, but as having come from the *officina* of FRANKLIN, and that, too, at a period when, but a short time before, "he had walked the streets of Philadelphia, *with a roll in his hand*, and met the person who afterwards became the partner of his life, the kind and benevolent Quakeress, MISS READ." It is valuable from its antiquity, how much more so, from having been printed by a man, who, through his own exertions, and from his industry and perseverance, rose from the humble station of a Printer's apprentice, to be the Ambassador of a Free People, whose name has become world-renowned, and has ever been, and ever will be associated with the proudest achievements of American science, and her noblest efforts in diplomacy and government. The man for whom



as MIRABEAU said, "the History of Sciences and the History of Empires contend."

The specimen on the Chart is of the New Castle paper money, before referred to, and is the only one of that period that I have been able to discover; paper money having been abolished or gone out of circulation, a short time after the date, which it bears.

From the year 1749 to the year 1756, there was no new emission of paper money in the Colonies. At that period, war was declared by England against France, and the Colonies were obliged to furnish their *quota* of men and arms, to endeavour to eradicate French power from the soil of America. The gallant WOLFE had succeeded in again reducing Louisburg, and WASHINGTON had distinguished himself, in the memorable defeat of BRADDOCK; events trite in history, and the forerunners of that glorious period, when French dominion ceased on the Plains of ABRAHAM, to be triumphant in the Western Hemisphere. The Colonists contracted a debt of ten millions to assist England in the war of 1756, and a new issue of paper money became necessary to meet the pressing exigencies of the times. There was but little specie in the country, and what there was, was sent to England; but as exchange was greatly against the Colonists, they derived almost all their hard money from their commerce with the Spanish West India Islands, and being obliged to remit to England for their manufactures, they could do so, in nothing but specie. The latter was drained from the Colonies, and the expense always attendant on war, compelled them to provide for the want of it.—Thus we see in 1759, almost every Province issuing its own paper currency.

The events connected with the war of 1756, which England undertook against the French possessions in America, fill some of the brightest pages in American history. France, with a view to consolidate its power in America, and animated at once by religious fervour and the spirit of conquest, had erected a chain of Forts, extending from Canada, on the one side, to the Gulf of Mexico, on the other; and the shores of the Mississippi and the Ohio were inhabited by a people, speaking a strange tongue, and holding close communion with the aboriginal tribes of the country. It was against this people and their savage allies, that England confided to its Colonists in America, then but little enured to war, the duty of expelling them from their strong holds, in the depths of the forest; and whilst the pages of history commemorate the battle of Monongahela and the reduction of Fort Duquesne, they will shed a halo of glory around the name and services of WASHINGTON,



whose first achievements were performed during that memorable campaign. The "journal" which he kept at that period, has always been regarded as an object of the greatest curiosity, but there are few relics of those times, now in existence, and what there are, will forever be looked upon with feelings of the deepest interest. They embody the recollection of events, now "silently passing down the stream of time,"—but which will, in future ages, be contemplated, as connected with the earliest struggles of Americans, on the field of battle, and associated with some of their proudest achievements in arms.

The paper currency, therefore, of that period, cannot but be highly interesting, and the four specimens of it, on the accompanying Chart, form part of the first issue of the paper currency, after the termination of the War. They consist of a crown-piece, ten, fifteen and twenty shilling bills. The name of the first signer, on the crown bill, is illegible, but the names of the second and third "CHAS. JONES and RICH'D SEARS," are easily discerned, whilst the date and the arms of the Province of Pennsylvania, with the motto "Mercy—Justice"—are perfectly legible. The ten shilling bill is more imperfect, but yet enough remains to shew its character and object. The names of the signers to the fifteen shillings bill, with the exception of "ARMSTRONG," are quite illegible, but the printing is clear and seems to be unaffected by age. The twenty shilling bill, is the most perfect of this number. The first name is signed ARMSTRONG, "the person whose signature is affixed to the bill of 1746, before mentioned." "J. BURNES and DAVID HALL" are the second and third signers. The crown-bill bears date April 25th 1759, and the three others are dated 1st June, 1759, in the thirty-second year of the reign of "Our Sovereign Lord King George the Second." All of them bear on the reverse different emblematical devices, with the words "Printed by B. FRANKLIN and D. HALL, 1759." One of these bills contains the autograph of the celebrated "BARNES," the Delegate from Maryland, to the first Albany Convention, in 1754.

It is interesting to notice the proceedings of the Colonists at this eventful period in their history. During this French war, which had continued for the space of eight years, they had furnished upwards of twenty thousand men to co-operate with the British forces in North America. They fitted out upwards of four hundred privateers, which ravaged the West India Islands and made many captures on the coast of France. They had rendered essential service to England, at a moment, when she was greatly in need of it, and yet, because different



sections of the Provinces and Counties would not furnish their *Quota* of men and munitions of war, to carry on the campaign against the French, England first contemplated the pursuance of that line of policy, which was so hateful to the Colonists, and which eventually tended to alienate them from the British Crown. Of the four preceding bills of 1759, one purports to be issued by the Province of Pennsylvania, whilst the three others were current within the Government of the Counties of "New Castle, Kent and Sussex, on the Delaware." It would be curious to ascertain, which Provinces were at that time, the most remarkable for the allegiance of the People to England, because it is a well known historical fact, that the foundation of the aggressive policy, afterwards pursued by England in endeavoring to raise taxes in America, arose out of the reluctance of some of the Colonies to provide the necessary contingencies for carrying on this "old French war."

Shortly before this period, FRANKLIN had become celebrated for his plan of a general Union of the Provinces, which was ostensibly begun to secure means of protection against the Indian tribes, and which sensibly, but imperceptibly, led to impress the minds of the colonists, with those ideas of independence, which they afterwards entertained. FRANKLIN, having also been named Post Master General of the Colonies, his time was chiefly occupied with public affairs, and the paper currency, which issued from his printing establishment in Philadelphia, bore the names "B. FRANKLIN and D. HALL," with whom he was associated as a partner, in the business of a printer. From this period (1759) to the final close of the Revolutionary War, scarcely a year elapsed, without an issue of paper money.

There is a curious specimen of a "Five Pound Note," of which a fac simile is given on this Chart. It was printed in the year 1760, and is the only one of that denomination printed in America (Pounds) which I have seen. The other old Colonial money was for the payment of shillings, dollars and even fractional parts of dollars, such as one eighth, two fifths and so forth. This note is printed partly in red and partly in black ink and is remarkable for bearing the autograph of "CHAS. THOMSON" the Secretary of the first American Congress.

I have not seen any bill, between the years 1760, and 1763, but in the latter year, there is an issue of paper money, of which I have seen specimens, printed wholly in black, or in red ink, of which the following is the purport "This bill by law, shall pass current in New Jersey for one ounce [oo] fifteen pennyweights of *Plate*," its representative value being twelve shillings," Signed "RICHARD SMITH, JOHNSTON and S. SHRINER.



This year (1763) was memorable for having been the period, when it was debated in the House of Commons, whether they had the right to tax the Americans, they not being represented and when it was carried in the affirmative. The year 1763, was also the one, in which a Bill, was introduced in the English Parliament, restraining the currency of paper money in the Colonies.

To what are we to attribute the words in the Bill, that it should pass current for fifteen pennyweights of Plate? Was it payable in plate, or was it merely an indication of the value of the Bill? I should incline to adopt the latter view of the matter, but in whatever light we may regard it, we are struck with the originality, not to say primitiveness, of the manner in which the small State of New Jersey made its bills current. At this period, the amount of paper money in circulation must have been very limited. The British Merchant was paid in specie for his manufactures, and as we are informed, the trade of the Colonies was in a prosperous condition, the metallic currency, which they got from their trade with the West Indies, was shipped to Europe. Why, therefore, did England wish to restrain by law the circulation of a paper Currency in the colonies? Why also, was this measure made to accompany an attempt at taxation? I know of no satisfactory reason to account for it. Probably, after the termination of the French war, England, anticipating the difficulties with her Colonies, wished to protect her merchants from the indebtedness of the Colonists towards them, or probably she feared, that by the circulation of paper money, the Colonies would be gaining strength and vigor and would be the better able, successfully to compete with her, should any struggle take place. Whatever may have been the cause, it is lamentable to find a powerful nation like England, "warring against her feeble colonies," and making the attempt to cripple their resources, of which at that period the fittest representation might be found, in the Bills, for "*one ounce of Plate*," circulated amongst the people of New Jersey.

From the year 1767, to the year 1770, there was more paper money in circulation from the Colony of Maryland, than from any other. This Paper was redeemable in London, at the rate of four shillings and six pence sterling per dollar, according to the provisions of an Act of Assembly of Maryland. The Bills were signed by "R. CONDEN" and J. "CLAPHAM" and bore the arms of the Colony with the motto "*Crescite et multiplicamini*." Before the year 1770, these Maryland bills entitled the bearer to receive Bills of exchange *only* on London. After that year I perceive an alteration was made in them, and



the words "*or Gold and Silver*" were added, thus shewing the progress of that want of confidence, in the stability of the then existing relations between the Colony and England. In order to facilitate the circulation of this paper money, the Assembly made it redeemable within the Province. There was also at this period, a large amount of bills, in circulation in Pennsylvania, and the adjoining Provinces, purporting to be for the payment of different sums, out of the Treasury of the Contributors to the relief and employment of the Poor in the city of Philadelphia, redeemable in the bills of Credit of the Province. They were signed by "THOMAS JAY, ABEL JAMES, LUKE MORRIS, STEPHEN COLLINS, and JAMES PENROSE."

I have seen specimens of some of the Bills that were in circulation from the year 1771 to the year 1774. and notice nothing remarkable in them, excepting, that the old form of issuing notes for dollars and the fractional parts of Dollars was partly abandoned, and the notes were for *shillings* only, thus from one shilling to one hundred shillings. This change is said to have been confined to the Paper Currency of Pennsylvania, but I have seen notes of the other Colonies, of the same purport and character. The Crown bill (Five shillings) of 1773, signed by "ABRAHAM USHER, JOHN FIELD, and CHARLES MEREDITH," of Philadelphia is rather original in its plan and design, but the "Fourteen and Fifty" shilling Bills of that year, are remarkable as specimens of ancient typography, and as indicating the *advanced* state of the art of Printing, at that period. The "Fifty shilling" Bill is printed partly in red and black ink, thus the letter T, in the word "Act," is in red ink and the letters "AC," in black, and the words "of" only in red in the first line, whilst in the second, third, fourth fifth and sixth lines, the middle or the two first letters of the middle word are in red ink whilst all the others are printed in black. Where the letters are shaded on the Chart, this indicates that they are printed in red ink. JAMES STEPHENS, WILLIAM CRESPIN and THOMAS LEECH, are the signers of this Bill. On the reverse, is the picture of a farm, with the usual warning, that "*to Counterfeit is Death.*"

It was at the Session of Congress, which was begun the day after the capture of Ticonderoga on the 10th of May 1775, that it was resolved to issue paper money. The resolution was passed on the 22nd. June following, as follows "Resolved that a sum not exceeding two millions of Spanish milled dollars, be emitted by the Congress in Bills of Credit, for the defence of America." This resolution was adopted only after the Battle of Bunker's Hill, which took place on the 17th June



1775. Most of the bills of that year which are now extant purport to have been issued under the Resolution of Congress, held on the 29th. November 1775. I have seen but *one* specimen and that was a Bill for two dollars, of the two millions, which were ordered to be issued, under the Resolutions of Congress of May 1775. The device on this two dollar bill, was quite significant of the times. It was the figure of a hand, holding an instrument to sever the ties, which held together a bundle of sheafs of wheat, surrounded by the motto "*Tribulatio ditat,*" "*Tribulation enriches,*" a rather expressive term, but one, which was characteristic of the feelings, which animated them. An engraving from this bill will be found on the Chart. On another one dollar bill of the same year, there is a stone of very great weight, bearing down or crushing a figure, which had become so obliterated, that I could not decipher it, with the motto "*Depressa resurgit,*" "*Depressed, she revives.*" I have observed, that the first issue of bills, under the authority of Congress, was after the Battle of Bunker's Hill, in 1775. I have seen those, which were issued in the same year in Philadelphia by the Royal Government, thus exhibiting the rather singular anomaly of two rival powers, assuming, *at the same time, and in the same place*, one of the attributes of Government, that of issuing paper money, under Legislative authority. Most of the Bills of the Royal Government of that year were dated the 25th day of October 1775. The Bills issued by Congress were of a larger size, and printed on thicker paper, and of a more brownish hue than those of the English Colonial Government. I have added to the foregoing a fac simile of a Bill, which bears date only eighteen days after the Declaration of Independance.

The circumstances under which "Continental paper money" was issued, are those, which are narrated in every History of the United States, and are well known, as being associated with the glorious events of the Revolutionary war. To justify the necessity of resorting to this measure, we must take a glance at the social condition of the Colonists, at the outbreak of the Revolution. Little more than a century had elapsed, since their forefathers had emigrated from the British Isles, to seek a home in the Western world. They came here, under the persuasion, that they would have to encounter all the hardship and toil, which accompany a life in the forest. Driven from their homes, under a sense of religious persecution, they came to America, in the hope of acquiring in the New World, a shelter from those storms and calamities, which had overtaken them in the old; unaccustomed to the arts of Commerce, they accumulated but little wealth, and confined, as they were, to



the trade with England and its West India Colonies, they were restricted to trafficking, on a small scale, with the inhabitants of those countries. The Fisheries afforded them means of subsistence, and were almost the only sources of wealth, which were accessible to them, as Colonists. Their manufactures, they got from England, and for these, they had to remit in specie, whilst the products of the fisheries were exchanged for articles of necessity, imported from the West India Islands, and whatever was paid them in hard money was sent to England, to pay for the goods, which they imported. The population was scattered through an immense extent of territory, and there being but few Cities or towns, there was little necessity for a circulating medium. As in the primitive ages, exchange was resorted to, as a means for procuring commodities, of which they stood in need, and specie consequently became but little circulated.

The imports largely exceeded the exports, and as the Colonists were chiefly engaged in agricultural and but few, comparatively, in commercial pursuits, they could hardly raise enough to pay for the goods, which they were obliged to procure from England. This state of things continued to the commencement of the Revolutionary war, and at that period, it was even felt the more, as the constant collisions between the Colonies and the mother country tended to diminish the little commerce, with the neighbouring Islands, which they had hitherto had.—It is hardly necessary to mention the causes of its excessive scarcity, at the commencement of the Revolution. The People, justly alarmed at the encroachment of England on their undoubted rights and privileges, and fearful that the difficulties would ripen into war, hoarded up what little specie was left in the country, to acquit themselves of the debts which they owed to their English creditors. The government, finding itself without money, arms or munitions of war, without clothes for the troops, or the means of providing them, was nevertheless obliged to carry on military operations and to place the country in a state of defence. It was impossible to impose taxes. With what could the people have paid them? Besides, the imposition of direct taxes on the people, was a measure, the evil effects of which they had too recently felt, to be resorted to without danger. Their commerce annihilated, and their agricultural pursuits interrupted, what was the Government to do? The value of the products of the soil, which they shipped to the neighboring West India Islands (and from which they might have expected a return in specie,) was nearly destroyed by the difficulties and dangers of navigation, and the withdrawal of all protection to their inland commerce.—



They had, likewise, to purchase goods for consumption and clothes to wear, for which they had to pay exorbitant prices. They had, therefore, to supply a circulating medium, and they issued paper money, with the intention of redeeming it, when circumstances would permit them. Each State issued its own paper money for its particular purposes, and Congress issued it for the Union. That issued by Congress was current throughout all the States, whilst that of each State was nearly confined in circulation to its own particular locality. The facility or the difficulty of circulating it out of the State in which it was issued, depended on the extent of the commercial relations, subsisting between two States, and the distance intervening between them. I may here relate a fact, which is mentioned by several cotemporaneous French historians, and travellers in America, which redounds very much to the credit of the American merchant, at the commencement of the troubles.

Being largely indebted to the British manufacturer for the goods which they imported, with a determination of punctually fulfilling their engagements, most of them continued, for a year after the beginning of the difficulties, to remit to England whatever specie they had, in payment of their debts.—From the aggressive policy of that power, and the resistance of the Colonists, which they well knew, would only terminate in open war, they might have avoided the payment of these debts, but a sense of honor prompted them to fulfil their engagements, and acquit themselves of their obligations to their English creditors.

At the first outbreak of the troubles, hard money was scarcer than at any other period, and this arose, as I have already observed, from the increased expences of the Government, to carry out those measures of resistance, they then proposed.—But, strange to say, that even at that period of great want and scarcity of the precious metals, such was the patriotism of the people, and such their forbearance, amidst all their trials, that the public credit did not suffer nearly as much, as it does in other countries, on similar emergencies. Six dollars in specie were worth only seven dollars and a half in bills, and that during a period of eighteen months after the outbreak, whilst in Europe, even at the present day, the national funds suffer an enormous depreciation, at the bare prospect of coming evils.

It was only towards the end of the second year, after the commencement of the Revolution, that paper money sensibly declined in value. When we consider the position of America, at that period, the noble efforts of its small band of patriots and warriors, to rescue their country from the thralldom of a powerful foe, when we contemplate its small army, contend-



ing successfully against an Empire, whose proud boast it was, that it could conquer the world, we are struck with admiration at the manner in which they surmounted the difficulties they had to encounter, and their heroic conduct, under the severest privations. Their enemy knew they had a powerful resource, in the issuing of paper money, which the patriotism of the people induced them to receive in lieu of specie, and they immediately resorted to measures, to counteract its beneficial effects.

A cotemporaneous writer states "that in the year 1778, a vessel, coming from Scotland to New York was captured by an American privateer, with many millions of dollars of forged paper money, on board, and with the requisite materials to falsify that which might be hereafter issued by the United States."

What contributed to the depreciation of this currency, were the efforts of designing men, within their own borders, who, under the specious guise of being the friends of freedom, were really its enemies; the English and Scotch merchants, who accumulated large amounts in specie, and who were constantly endeavouring to depreciate the other currency. Their efforts were, however, unavailing, although they had the effect of making it considerably decline in value. There were, besides them, several persons in Pennsylvania, who were looked upon as being favorable to the success of the Royal cause, and who were for the greater part, wealthy, and engaged in commerce, who were the first to ask three or four times as much in paper money, as they did when they received specie in payment for the commodities they sold. The people got alarmed, and being obliged to give three or four times more in value for the goods they purchased, than they had hitherto done, commenced to raise the price of provisions and labour.

Congress and the Governments of the different States, not being able to dispense with articles which were absolutely necessary for the support of the army, and being obliged to defray large sums of money, for the purchase of provisions for its maintenance, issued an immense quantity of paper money to meet the pressing exigencies of the times. They were compelled to adopt this measure from the circumstance, that the paper money already in circulation being depreciated, they required three or four dollars to pay for that, which could have been, but a short time before, purchased for one. This, therefore, gave rise to that enormous circulation of paper money, which continued during the whole of the war, and which was forced upon Congress, and the different States, by the misconduct of enemies, within their own borders, and the means which were taken by the British Government to encourage the falsifi-



cation of that, which was already in circulation. It is impossible within the limits of this small pamphlet, to discuss the question, whether any other measure could have been devised to avert the impending evils, arising out of the circulation of such an immense quantity of paper money. We must take into consideration the circumstances, in which the American people found themselves, when the troubles commenced, and the proceedings adopted by their enemies, to thwart their exertions to gain their liberty, and notwithstanding all that we read of, in the British histories of that period, we shall be forced to admit, that they had many reasons to justify the course they adopted. And, if one circumstance, more than another, proves that the people were satisfied with the conduct of their rulers, it will be found in the willingness they afterwards manifested to meet the heavy losses, which many of them sustained, and to bear them as a sacrifice which they made for the public good, and as a tax, which they paid for gaining their independence. The conduct of the American people, in this emergency, was worthy of all praise. They well knew that this paper money, which had been acquired by them in payment for their property, was almost valueless, and that the States could not be expected to comply with the recommendation of Congress, to redeem even a part of it, and yet they not even willingly bore the heavy loss, but they also consented to give whatever specie they possessed, in the shape of taxes, rather than that the Government should be embarrassed. This state of things continued until the year 1780, when the attention of an old and respectable citizen of Philadelphia, Mr. PELATIAH WEBSTER, was directed to the investigation of the financial condition of the country.\* He published several essays on the subject, in which he depicted the evils, arising out of an irredeemable paper currency. Congress had fixed the paper in circulation at a sum greatly beneath its original value, taking into consideration the different rates of discount, at which it was current in the several States. It was about this time, that Gen'l WASHINGTON addressed a letter to the Executive Council of Pennsylvania, in which he suggested the necessity of providing means against the precurance of the evil. Mr. ROBERT MORRIS was appointed Superintendant of Finances, and it was owing to his energy and perseverance, that the country became relieved from the pressure, under which it was labouring. A few public-spirited citizens of Philadelphia met together and established a joint stock company, which was call-

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\* Vide, Noah Webster's Miscellaneous Writings, on the establishment of the first National Bank.



ed the Bank of Pennsylvania, and during the campaign of 1780, this institution supplied the wants of the army, and contributed to alleviate the burdens of the people. On the 26th of May 1781, Congress resolved, "That they do approve of the plan of establishing a National Bank in the United States, submitted to their consideration by Mr. ROBERT MORRIS, and that they will promote and support the same, by such ways and means, from time to time, as may appear necessary for the institution, and consistent with the public good." What facilitated the operations of the American Government at that period, was the large amount of specie, which was brought from Holland and France, and the loans which were effected in Europe, through the exertions of the Ambassadors of the United States.

Scarcely three quarters of a century have elapsed, since the financial condition of the country was in the state herein described, and since America was dependant on its allies in Europe, for pecuniary assistance, when at the present day, the United States, owing to the enterprize and energy of its citizens and the valour of its soldiers, are now discharging the debt, which they contracted, during the progress of the Revolution, and are sending, by every ship which leaves their ports, an immense amount of specie, to relieve the wants of the people of Europe. During this short period, the Republic has planted its standard in those countries, which were looked upon in Europe, as the richest portion of the earth and from which has been derived the greater part of the specie, which is in circulation amongst her people. To the untiring energy and indomitable spirit of the people of these States, is also to be attributed the discovery of boundless wealth along the shores of the Pacific, and if ever an occasion should hereafter arise, in which the American people should have to combat, either against an external or internal foe, they will find, within their own borders, those resources, of which they stood so much in need, in the earlier period of their history.



*Extract translated from Travels in North America by the*  
MARQUIS DE CHASTELLUX, Vol. I. page 329.

THE wonderful resources derived in the commencement from this paper money, its extraordinary depreciation and total disappearance without producing any great shock or convulsion in an infant country, struggling with a complication of difficulties, will certainly form an epoch in the general history of finances, as well as in that of this great revolution. I saw *hundreds of millions* of paper dollars piled up, effaced in the Office of Congress at Philadelphia, which, never possessing any real value, had served all the purposes of a difficult and uncommonly expensive war, and were now quietly laid aside, with scarcely a murmur on the part of the public; the variety of the depreciation, at different periods, and different parts of the Continent, whilst it gave rise to great temporary abuses, had been so divided and balanced, by alternate profit and loss amongst all classes of citizens, that on casting up the account, some very unfortunate cases excepted, it seems to have operated only as a general tax on the public; and the universal joy on its annihilation, with the satisfactory reflection on the necessity under which it was issued in the critical moment of danger, seemed to conciliate all minds to a total oblivion of its partial mischief. Here and there great fortunes are to be seen, reared upon its now visionary basis, and families reduced from opulence to mediocrity by means of this destructive medium; but these instances are by no means so frequent as they have been represented in Europe, and were often the result of ill-judged, but avaricious speculations; but I repeat it, that the continued use, the general circulation, the astonishing depreciation, and total destruction of such an imaginary property, will always exhibit a phenomenon infinitely more striking, than that a few, or even a great number of individuals should have suffered, as must always be the case in every civil commotion. The fact is unparalleled, and will probably stand single in the annals of the world.

*Extract translated from "BRISSOT DE WARVILLE'S New Travels in the United States of America."—Letter XL., page 456.*

You have seen, my friend, in the Encyclopædia, a state of the American debt brought down to the year 1784. This article, which I believe was furnished to the compilers by the learned Mr. JEFFERSON, contains some few errors. You may, however, draw from it some just ideas relative to the origin of the continental debt. There is no work which treats of the changes made in it since 1784, which is the principal object of my present letter.

You who are so versed in finance, will doubtless be struck with the errors committed by the Continental Congress in laying the foundation of this debt, and with the sterility of their plans to remedy the want of money. But your surprise will vanish, when you examine the critical circumstances of that body of men to whom America owes her independence.

They must be supposed ignorant of the principles of finance, a science which their former situation had happily rendered unnecessary. They were pressed by the imperious necessity of a formidable invasion, to submission, or to combat; and they must pay those who should fight their battles.

The idea of paper money was the first, and perhaps the only one that could strike them. Its object was so sublime, and patriotism so fervent, that every thing was to be expected from it. The Congress believed in it; and in multiplying this paper, even in the midst of a rapid depreciation, they are not to be accused of ill-faith; for they expected to redeem the whole.

The people manifested the same confidence. But the unexpected accumulation of the quantity, the consequent depreciation, and the gradual disappearance of danger, were the natural and united causes of a revolution of sentiment. To believe that this paper would not be redeemed at its nominal



value, was in 1777 a crime. To say that it ought to be so redeemed, was in 1784 another crime.

Since the establishment of the new federal system, the opinion with respect to the debt, has undergone a third revolution. Among a few people, it is impossible but truth and honor should sooner or later predominate.—Almost all the Americans are at present convinced, that to arrive at the high degree of prosperity to which the nature of things invites them, and to acquire the credit necessary for this purpose, they must fulfil with the most scrupulous punctuality, all their engagements. And this conviction has determined the new Congress to make the finance the first great object of their attention.

The debt of the United States is divided into two classes, *foreign* and *domestic*. The foreign debt is composed in capital, of a loan made in France of 24,000,000 of livres at 5 per cent., another made in Holland, under the guarantee of France of 10,000,000, at 4 per cent., both amounting in dollars to 6,296,296; another in Spain, at 5 per cent., 174,011 dollars.

In Holland, in four different loans,	-	-	-	-	-	-	\$3,600,000
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Total capital,	-	-	-	-	-	-	\$10,070,307
Interest to December 31st, 1789,	-	-	-	-	-	-	1,651,257

Total capital and interest,	-	-	-	-	-	-	\$11,721,564
Domestic debt liquidated, capital and interest to the 31st	-	-	-	-	-	-	\$40,414,085
December, 1790,	-	-	-	-	-	-	2,000,500
Not liquidated, estimated at,	-	-	-	-	-	-	

Total, foreign and domestic,	-	-	-	-	-	-	\$54,124,464
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In the prosecution of the war, each individual State had occasion to contract a debt of its own, which, for a variety of reasons, it was thought best that the Congress should assume and add to the general mass of the debt of the United States.

The sums thus assumed, which are supposed to absorb nearly the whole							
of all the State debts, amount in the whole to	-	-	-	-	-	-	\$25,000,000
So that the total amount of the present debt of the United							
States is	-	-	-	-	-	-	\$79,124,464

Annual interest of this sum as stipulated,	-	-	-	-	-	-	\$4,587,444
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To comple the list of what is annually to be paid, we must add the annual expenses of the Federal Government. The following is the amount of the year 1790 :

Civil list,	-	-	-	-	-	254,892
Department of War,	-	-	-	-	-	155,537
Military Pensions,	-	-	-	-	-	96,979
						<hr/>
						\$507,408

You see, my friend, from these details, that the expenses of Government among a free people, are far from that extravagance and pomp which are pretended to be necessary in other governments to delude the people, and which tend but to render them vicious and miserable.

You see, that with one hundred and ten thousand sterling, a government is well administered for four millions of people, inhabiting an extent of country greater than Germany, Flanders, Holland, and Switzerland United. And finally, you see that the Americans pay less than a million sterling a year for having maintained their liberty; while the English pay more than four millions sterling, additional annual expense, for having attempted to rob them of it.

By the measures taken by the new Government, the Americans are in the fair way not only to pay their interest, but to sink the principal of their debt, and that without direct taxation.







